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 To: Leadership
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 Subject: Customer development takeaways on XRP liquidity

Leadership -

For the past few weeks, we've talked to over a dozen MSBs (money service businesses), both in San Francisco and London, which provide cross-border payments service to a wide range of customers - migrant workers, small- and medium-sized e-commerce businesses, and even corporates. As part of MSB conversations, we presented and validated XRP liquidity as an alternative rail for sending low-value payments into emerging markets.

Key takeaway is that MSBs are a great target for XRP liquidity as they can move quickly and are more open to using digital assets than banks.

XRP liquidity immediate opportunities

- Multiple MSBs expressed interest in using XRP in specific corridors (KRW, CNY, PHP, INR, MXN) for low-value (under \$5K) payments.
 - Larger and more established companies are looking to diversify their liquidity sources by using XRP/fiat order books through digital asset exchanges (Bitstamp, Bitso, Coinone, etc) in addition to bank rails
 - Smaller, less established MSBs, see potential to use XRP to enter new corridors without having to open a bank account and pre-fund in receiving destination
- The biggest value proposition for MSBs to use XRP is **speed**
 - Faster payment delivery into destination country - better service for their customers
 - Reduction in required working capital as funds don't get tied up in FX trade (1 hour through XRP vs 2-3 days through nostro account)
- In terms of XRP positioning, narratives of "liquidity on-demand" and "nostro accounts consolidation" resonated with the most MSBs

Next steps on immediate opportunities in Q2

- Launch XRP listing on Bitso to enable EUR/USD<=>XRP<=>MXN corridor through Bitstamp and Bitso
- Qualify MSBs which are open to use XRP liquidity for pilot payments the above corridor

Requirements for wider adoption of XRP in the future

- Compliance & regulatory: across the board concern about unclear crypto-currency treatment from regulators and large banks that MSBs work with to buy FX
 - Most of these concerns stem from bitcoin reputation in consumer-facing use case ("[REDACTED] would shut down our account if we used BTC... XRP may be different" - [REDACTED])
 - To distinguish XRP from other crypto currencies, we will continue to emphasize XRP use case of enterprise liquidity tool in our regulatory outreach
- Liquidity: digital asset exchanges don't have deep enough liquidity to process larger-size payments (~\$50K) which is a hard requirement for larger MSBs ("We don't do small payments, it's not our business" - [REDACTED])
 - "Liquidity begets liquidity" and our incentive programs, launched on exchanges that list XRP,

- are aimed at getting XRP liquidity flywheel moving
- Additionally, number one XRP priority for Q2 internally is higher speculative volume which will help with XRP liquidity
- Exchanges reputation: some MSBs aren't comfortable trusting crypto-exchanges with the final payout (*"What if an exchange does not hold up its end of the deal?"* - [REDACTED])
 - We already validate every potential exchange with our compliance and legal team to ensure they have proper licenses in their jurisdiction
 - Start doing stricter due-diligence on exchanges and MSBs from a business perspective (funding sources, team qualifications, ability to execute, reputation within industry etc.)

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